

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

REC'D TEL
REGULATORY AUTH.
MAY 9 PM 1 50

IN RE: ***PETITION TO REQUIRE BELL SOUTH TELECOMMUNICATIONS, INC.
TO APPEAR AND SHOW CAUSE THAT CERTAIN SECTIONS OF ITS
GENERAL SUBSCRIBER SERVICES TARIFF AND PRIVATE LINE
SERVICES TARIFF DO NOT VIOLATE CURRENT STATE AND FEDERAL
LAW***

Docket No. 00-00170

PROPOSED SETTLEMENT AGREEMENT

This Proposed Settlement Agreement ("Agreement") is entered into on this the 9th day of May, 2000 by and between the undersigned members of the Staff of the Tennessee Regulatory Authority who signed the Show Cause Petition filed in Docket No. 00-00170 (the "Staff Investigative Team") and BellSouth Telecommunications, Inc. ("BellSouth").

WHEREAS the Staff Investigative Team and BellSouth recognize that the concerns raised in the Show Cause Petition apply to the termination liability provisions of incumbent local exchange telephone companies as well as competing telecommunications services providers;

WHEREAS the Staff Investigative Team and BellSouth desire to resolve the concerns raised in the Show Cause Petition expeditiously and with the intent that the resolution of these concerns will be applied to incumbent local exchange companies and competing telecommunications services providers;

NOW THEREFORE, the Staff Investigative Team and BellSouth agree to the following terms and conditions:

1. This Agreement binds neither the Staff Investigative Team nor BellSouth unless and until it is approved by the Tennessee Regulatory Authority ("Authority") as submitted.

2. For all tariffed service agreements entered into after the effective date of any tariff amendments filed in compliance with this Agreement, charges for termination or cancellation of service ("termination charges") shall not exceed repayment of discounts received during the previous 12 months of the service, except as specified in paragraphs 4 and 5 (below).

3. For any contracts (including without limitation special contracts, individual case basis contracts, contract services arrangements, etc.) entered into after the effective date of any tariff amendments filed in compliance with this Agreement, charges for termination or cancellation of service shall not exceed the total of the repayment of discounts received during the previous 12 months of the service, the repayment of any waived or discounted non-recurring charges, and the repayment of the pro-rated amount of any documented contract preparation, implementation and tracking, or similar charges, except as specified in paragraphs 4 and 5 (below).

4. No tariff and no contract (including without limitation special contracts, individual case basis contracts, contract services arrangements, etc.) shall allow termination charges to exceed 6% of the total tariffed service agreement amount or contract amount. For service terms of longer than 4 years, no tariff and no contract shall allow total termination charges that exceed 24% of the average annual revenues of the tariffed service agreement or contract.

5. Termination charges for a specific service may exceed the levels included in Paragraphs 2, 3, and 4 (above) only upon a demonstration to the Authority that the unrecovered portion, if any, of the customer specific costs incurred to provide such service exceeds the levels in Paragraphs 2, 3, and 4 in the event of early termination. Detailed calculations and supporting documentation shall be included with any such cost justification.

6. This Agreement shall not apply to contracts or tariffed service agreements entered into prior to the effective date of any tariff amendments filed in compliance with this Agreement.

7. No later than forty-five days after approval of this Agreement pursuant to Paragraph 1 (above), BellSouth shall file with the Authority tariff amendments that will bring all of its existing tariffs into compliance with the terms of Paragraphs 2, 3, 4, 5, and 6 of this Agreement (above).

8. Upon approval of this Agreement pursuant to Paragraph 1 (above), the Authority shall notify in writing all incumbent local exchange telephone companies not exempt from local telecommunications competition under T.C.A. § 65-4-201(d) and all facilities-based competing telecommunications services providers as defined under T.C.A. §65-4-101(e) of the substance of this Agreement. Such notification shall request that within forty-five days of its issuance, each such entity file with the Authority tariff amendments that will bring all of its existing tariffs into compliance with the terms of Paragraphs 2, 3, 4, 5, and 6 of this Agreement (above). A draft of such notification is attached to this Agreement as Attachment A, and is incorporated into this Agreement by this reference.

9. Should any entity described in Paragraph 8 (above) not file tariff amendments that will bring all of its existing tariffs into compliance with the terms of Paragraphs 2, 3, 4, 5, and 6 (above) within forty-five days of the issuance of the notification specified in Paragraph 8 (above), the Staff Investigative Team shall take all necessary actions to investigate and shall seek to initiate a show cause proceeding against such entity. Each such show cause petition shall be filed with the Authority no later than ninety days after the approval of this Agreement pursuant to Paragraph 1 (above).

10. Tariff amendments filed by BellSouth and by entities described in Paragraph 8 (above) in compliance with this Agreement shall become effective 135 days after approval of this Agreement pursuant to Paragraph 1 (above) if, within 105 days after such approval, BellSouth and the Staff Investigative Team agree that: (1) all such amendments that are filed by any entity whose access lines are included in the "Compliant Access Line Count" pursuant to Paragraph 11 (below) bring all of that entity's existing tariffs into compliance with the terms of Paragraphs 2, 3, 4, 5, and 6 above; and (2) there has been substantial compliance (as defined in Paragraph 11 below) by the entities described in paragraph 8 (above). If there is no such agreement by such date, the effective dates of such tariff amendments filed by BellSouth and by entities described in Paragraph 8 (above) shall be suspended until 30 days after such agreement.

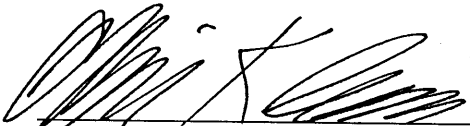
11. For purposes of this Agreement, substantial compliance shall be determined as set forth in this Paragraph. For each facilities-based competing telecommunications services provider that has filed a Wireline Activity Report with the Authority at any time since June 5, 1995, the Staff Investigative Team shall identify that entity's most recent Wireline Activity Report that is on file with the Authority as of the 105th day after the approval of this Agreement pursuant to Paragraph 1 (above). The "Total Access Line Count" shall be determined by adding the total access lines reported on each such "most recent" Wireline Activity Report. The "Compliant Access Line Count" shall be determined by adding the total access lines reported on the "most recent" Wireline Activity Reports of each facilities-based competing telecommunications services provider that files tariff amendments that the Staff Investigative Team and BellSouth agree are in compliance with Paragraph 8 (above). Substantial compliance occurs when the "Compliant Access Line Count" is at least 90% of the "Total Access Line Count."


12. The Staff Investigative Team agrees to take no action in Docket 00-00170 without providing BellSouth at least 30 days' written notice of its intent to do so. If the Staff Investigative Team provides BellSouth with such written notice, BellSouth shall file a response to the Petition in that docket within 20 days after its receipt of such notice. Moreover, upon compliant tariffs described in Paragraph 7 (above) becoming effective, the Staff Investigative Team will request the Authority to dismiss the show cause petition filed in Docket 00-00170 without prejudice.

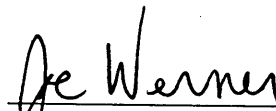
13. The Staff Investigative Team and BellSouth hereby request the Authority to initiate, within 180 days of the issuance of the notification described in Paragraph 8 (above), a rulemaking proceeding to adopt the terms and conditions set forth in Paragraphs 2, 3, 4, 5, and 6 (above) as generally-applicable rules.

Respectfully submitted,

STAFF INVESTIGATIVE TEAM

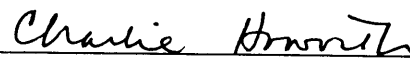

Chris Klein


Gary R. Hotvedt


Joe Werner


Joe Shirley

BELLSOUTH TELECOMMUNICATIONS, INC.

By: 
Charles L. Howorth, Jr.
333 Commerce Street, Suite 2104
Nashville, Tennessee 37201-3300
(615) 214-6320

Attachment A to
Proposed Settlement Agreement
Docket No. 00-00170

DATE
CONTACT
CARRIER
ADDRESS 1
ADDRESS 2

Re: Notice to Modify and Amend Termination Provisions for Local Telecommunications Services

Dear CONTACT:

Pursuant to the Tennessee Regulatory Authority's approval of the Settlement Agreement between BellSouth Telecommunications, Inc. and the Tennessee Regulatory Authority Staff Investigative Team in Docket No. 00-00170, *In Re: Petition to Require BellSouth Telecommunications, Inc. to Appear and Show Cause That Certain Sections of Its General Subscriber Services Tariff and Private Line Services Tariff Do Not Violate Current State and Federal Law*, the Authority requests that each incumbent local exchange telephone company not exempt from local telecommunications competition under T.C.A. § 65-4-201(d) and each facilities-based competing telecommunications services provider as defined under T.C.A. §65-4-101(e) file with the Authority tariff amendments that will bring all of its existing tariffs into compliance with paragraphs 1, 2, 3, 4, and 5, below, within 45 days from the date of this notice.

1. For all tariffed service agreements entered into after the effective date of any tariff amendments filed in compliance with this notice, charges for termination or cancellation of service ("termination charges") shall not exceed repayment of discounts received during the previous 12 months of the service, except as specified in paragraphs 3 and 4 (below).
2. For any contracts (including without limitation special contracts, individual case basis contracts, contract services arrangements, etc.) entered into after the effective date of any tariff amendments filed in compliance with this notice, charges for termination or cancellation of service shall not exceed the total of the repayment of discounts received during the previous 12 months of the service, the repayment of any waived or discounted non-recurring charges, and the repayment of the pro-rated amount of any documented contract preparation, implementation and tracking, or similar charges, except as specified in paragraphs 3 and 4 (below).
3. No tariff and no contract (including without limitation special contracts, individual case basis contracts, contract services arrangements, etc.) shall allow termination charges to exceed 6% of the total tariffed service agreement amount or contract amount. For service terms of longer than 4 years, no tariff and no

contract shall allow total termination charges that exceed 24% of the average annual revenues of the tariffed service agreement or contract.

4. Termination charges for a specific service may exceed the levels included in Paragraphs 1, 2, and 3 (above) only upon a demonstration to the Authority that the unrecovered portion, if any, of the customer specific costs incurred to provide such service exceeds the levels in Paragraphs 1, 2, and 3 in the event of early termination. Detailed calculations and supporting documentation shall be included with any such cost justification.
5. This notice shall not apply to contracts or tariffed service agreements entered into prior to the effective date of any tariff amendments filed in compliance with this notice.

Any such carrier that fails to file the requested tariff modifications within 45 days from the date of this notice may be ordered to appear and show cause that their current term arrangements for local telecommunications services do not violate current state and federal law.

Accordingly, CARRIER is requested to file with the Authority all tariff amendments necessary to comply with the terms of this notice by [45 days from the date of this notice], with an effective date of [135 days from the date of approval of Proposed Settlement Agreement]; however, the effective date of such tariff amendments may be suspended by the Authority. Should you have any questions concerning this matter, contact [STAFF MEMBER] at 615/741-2904, extension [XXX].